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SOURCE Neue Zuercher Zeitung.STATE BANK TO CONTROL FINANCIAL OPERATIONS

The Czechoslovak Finance Minister recently issued regulations for the financing and fiscal control of nationalized state and communal enterprises. The granting of all operating credits and control of their use is the duty of the State Bank, in which the Zivnostenska Bank, the Post Office Savings Bank with its Slovak branches, and the National Bank are merged.

In the past year, during which the State Bank commenced its operations, the control system of the merged institutions has been centralized and reorganized. In efforts toward simplification, systematization, and good management in the industrial and business activity of nationalized enterprises, the year 1950 was characterized chiefly by a more efficient use of existing wealth. As could be predicted, large quantities of raw materials, semifinished products, unused or partially utilized machines and equipment appeared when a nationwide inventory was taken.

This action enabled the State Bank to render valuable service in overcoming parochialism. Furthermore, the policy of certain large-scale enterprises financing investments themselves instead of from reserve assets as prescribed by the plan was ended. To accomplish this, the State Bank prohibited the holding of extensive funds and ordered that funds not needed immediately be passed on as soon as possible.

The firms are also obliged to make monthly payments on the profit tax provided for in the plan, as well as to make the prescribed interest payments on capital and for depreciation quotas. The payment of the general tax is also to be made with the greatest possible speed. The State Bank has arranged to receive all the particulars requisite to an effective and prompt control of current operating finances. Failure to fulfill planned commitments will be followed by corrective action directly by the State Bank. Fines can be imposed upon the enterprises, and since a fine diminishes the total profit and consequently also the profit share of the enterprise -- 10 percent of profit shown goes into the enterprise fund -- it is hoped by this method to control financial administration.

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More severe measures will be taken if a firm is found to be seriously guilty of poor management, as, for instance, in a case where goods accumulate and find no buyer, either because the quality is unsatisfactory or because production exceeds demand. In such cases, a fine would not be enough; the State Bank would then withhold operating credits, an action which would have an immediate remedial effect.

An order of the Minister of Finance which applies to all nationalized enterprises (with the exception of banks, insurance companies, and the printing industry), distinguishes, as financial sources, between so-called capital or bank credits (from the State Bank for operating purposes, from the Investment Bank for investment purposes), and credits of suppliers and other creditors. Capital consists of investment funds and a constant operating fund. The investment fund is determined by the appropriate minister on the basis of the opening balance of 1 January 1951.

The level of the operating fund is determined from the approved financial plan for the new year. In case the financial plan did not fix the operating fund, the level is set by the Minister of Finance and the minister of the appropriate department. Operating funds cannot be used for financing investments. The State Bank apportions credits to nationalized enterprises only according to the operating plan, and only for short terms and in fixed installments. Such credits may be granted for covering the purchase of seasonal supplies, and other extraquota stock procurements, for debt collection, and for other short-term needs.

Credits will be granted only after the company's own operating funds are exhausted as well as supplier credits and those of other creditors. If credits are not paid off on time, the bank is authorized to claim compensation, except for interest on capital. Stocks in excess of normal are deemed a basis for credit, if such stocks result from prescribed overproduction or from the transport situation. Collection credits empower the bank to collect claims against third persons on which the bank made loans. If the repayment date is over a month away, installment payments are provided.

Short-term credits may be granted to firms to tide them over emergency periods for which they are not responsible. Such short-term credits could be granted, for instance, if a seasonal interruption of operations occurred, or if payment difficulties or other circumstances arose which were not the fault of the firm seeking credit. However, if blame is demonstrable, a fine may be added to the interest. The fine for delay in repayment of operating credits is 4 percent, and in the case of neglect over a prolonged payment period, 12 percent annually.

Nationalized enterprises are required to pay off monthly (through the bank to the Nationalized Enterprises Fund) an adequate sum to cover depreciations on investments provided for in the plan. In addition, the share of planned profits must be paid over in cash. If a loss occurs in any quarter, it can be charged against profits of past or future months. However, if the original approved financial plan shows higher expenditures than income, the fund transfers to the firm monthly sums which will then appear as income of the firm. Deficits appearing in the closing balance may be offset by the fund only with the approval of the Minister of Finance. To effect the greatest possible reduction in the conversion of assets into cash by nationalized enterprises, and to encourage carrying out transactions without cash, the bank is empowered to collect a one-percent fine on sums paid in cash contrary to directions.

By an order of the Minister of Finance the rate of interest charged by the State Bank for operating credits was fixed at $\frac{3}{4}$ percent. In addition a .05 percent transaction fee is charged for each payment to third persons.

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- 2 -

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